

**GEOPOLITICS REMAIN AT FOREFRONT DESPITE LIMITED MARKET IMPACT**

This week has been dominated by Syria, as attention turns from the tragedy of the Paris attacks to what exactly can be done to combat ISIS. In the UK the debate has been centred to whether or not to join the bombing missions in Syria, while further east the situation has been complicated by Turkey's decision to shoot down a Russian warplane. While there are disputed accounts of the event, it is a stark reminder of the conflicting agendas in the area. Although Syria is the immediate problem, there is a wider power struggle in the region that won't simply go away with the defeat of the Jihadists.

Markets have been largely unaffected, but there has been a bit of increased volatility this week, Middle East chaos appears to be mostly priced in. Much of the noise has been around the recently imported phenomena of Black Friday, the odd tradition of slashing margins at the start of the period where most retailers do the bulk of their trade. The event has mostly been led in the UK by online retailers such as Amazon, and it appears most high street stores have already grown tired of the custom.

**THE MARKETS THIS WEEK**

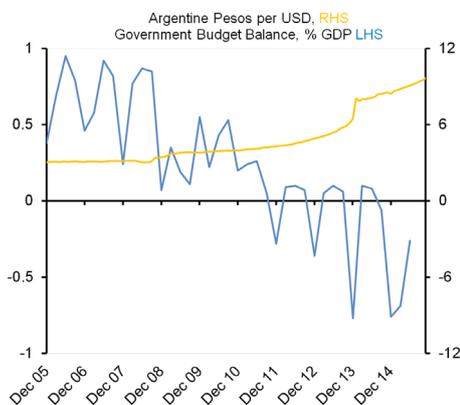
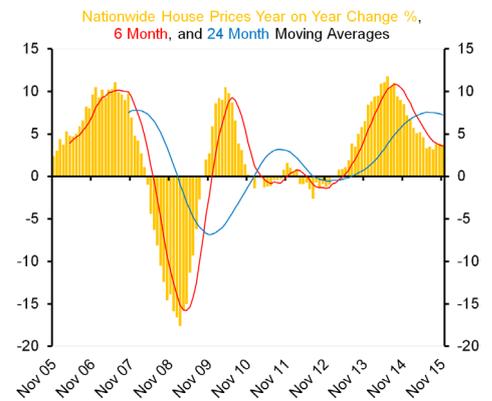
<b>FTSE 100</b>	<b>S&amp;P 500</b>	<b>Nikkei 225</b>	<b>Hang Seng</b>	<b>Dax 30</b>	<b>CAC 40</b>	<b>Ibex 35</b>	<b>Brent Crude</b>	<b>Natural Gas</b>	<b>Gold</b>	<b>Wheat</b>
+0.76%	+0.25%	+0.12%	-3.02%	+2.05%	+0.89%	+0.65%	+2.25%	-1.98%	-1.18%	-2.34%



**UK: AUTUMN STATEMENT ENCOURAGES FIRST TIME BUYERS**

George Osborne continued his assault on buy-to-let landlords in Thursday's autumn statement, imposing a 3% tax on second homes and homes bought to let. This follows the changes to the tax relief system in the budget which will hit small landlords hard. This is unlikely to be the last such move in our view, as the Conservative Party have a huge interest in reversing the decline in home ownership; home owners tend to vote Tory while renters tend to vote Labour.

The Chancellor also announced an expansion of Help-to-Buy in London, with the government now willing to contribute 40% towards home purchases by first time buyers. Only new builds will qualify, however, and this part of the market is traditionally less popular with British buyers as opposed to investors. It is hard to read what the net effect of these moves will be on London house prices which have shown weakness in prime areas this year. Whether they will neutralise each other actually encourage the market to fall or rise respectively.



**EM: ARGENTINA ELECTIONS BODE WELL FOR MARKET REFORM**

Investors hailed the election of Mauricio Macri as Argentina's next president, as the centre right president vowed to bring order to stagnating and inflation-wracked Argentinian economy. The centre right mayor of Buenos Aires and former Boca Junior Football Club president has promised to eliminate strict exchange controls on his first day in office. Many fear a sharp devaluation is imminent, with the US Dollar worth 9.6 pesos at official exchange rate while it can fetch more than 15 pesos on black markets.

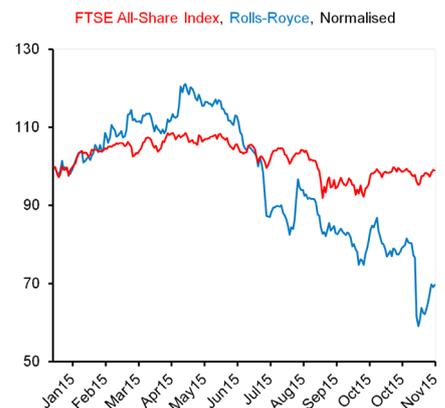
Macri has inherited a complicated situation that includes a fiscal deficit of around 7 per cent of Gross Domestic Product, inflation of more than 20 per cent and precariously low Central Bank reserves. The election of Macri puts an end to the "Kitcherismo" ideology which saw the government spending double to 40 per cent of GDP. Contrary to his predecessor, Macri pledges to bring down inflation, unify the exchange rate and remove currency controls, and wants Argentina to regain access to international capital markets by settling with holdout creditors.



**M&A: ACTIVIST INVESTORS TARGET ROLLS-ROYCE**

It was revealed this week that US hedge fund ValueAct has had a representative appointed to the board of the flagship British engineering company Rolls-Royce after a series of profit warnings and a declining share price have seen the activist investor build up a 10% stake. ValueAct is believed to want the company to sell off non-core businesses and focus on aerospace engineering.

Their case for corporate restructuring has to be strengthened by the current chairman's warning that a sixth profit warning in two years could be announced. Restructuring is planned, with job cuts set to be announced, even before the hedge fund managers have their say. Shares are down 42% from this year's high and it will be interesting to watch which managers see a value opportunity opening up.



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